
OLR Bill Analysis

HB 5511

AN ACT CONCERNING THE BUDGET, SPECIAL ASSESSMENT AND ASSIGNMENT OF FUTURE INCOME APPROVAL PROCESS IN COMMON INTEREST OWNERSHIP COMMUNITIES.

SUMMARY:

This bill changes requirements under the Common Interest Ownership Act (CIOA) for approval of annual budgets and special assessments. It provides that they are approved unless a majority of those owners participating in the voting, rather than a majority of all unit owners, vote to reject them. By law, unchanged by the bill, (1) the association's declaration can provide for a larger number of unit owners needed to reject a budget or assessment and (2) unit owner approval is not required for special assessments that are (a) small relative to the association's budget (unless the declaration or bylaws provide otherwise) or (b) needed in an emergency.

The bill also changes the approval requirement under CIOA for assignments of the right to future income as security for loan agreements. It provides that the assignment is approved unless a majority of unit owners vote against it, rather than approved only if a majority vote for it (although the declaration can specify higher numbers).

The bill makes other changes to the required procedures and timelines for votes on such assignments.

EFFECTIVE DATE: October 1, 2012

LOAN AGREEMENTS AND ASSIGNMENT OF RIGHT TO FUTURE INCOME

Current law requires unit owner approval of a common interest community executive board's assignment of the right to future income as security for a loan agreement, but does not specify when the vote

must be held. The bill requires the board to schedule a unit owner's meeting or a vote by ballot without a meeting to consider approval of such an assignment. Under the bill, the meeting or vote must be held at least 10 but no more than 60 days after the board satisfies other requirements in existing law related to loan agreements (i.e., at least 14 days before entering into a loan agreement on the association's behalf, the board must (1) disclose to unit owners the loan's amount, terms, and estimated impact on any common expenses assessment and (2) give them a reasonable opportunity to submit comments on the loan).

Under current law, if the executive board proposes to enter into such a loan agreement and assignment, then owners of units to which at least a majority of the association's votes are allocated, or any larger percentage stated in the declaration, must vote in favor of or agree to the assignment for it to be approved. The bill instead provides that the assignment is approved unless a majority of all unit owners, or a larger number specified in the declaration, vote to reject it. As is the case under existing law for approval of annual budgets or special assessments, the absence of a quorum at the meeting or vote does not affect approval or rejection of the assignment.

By law, the association's declaration can prohibit or limit such assignments of future income.

BACKGROUND

Common Interest Ownership Act

Generally, CIOA applies to common interest communities (e.g., condominiums) created in Connecticut on or after January 1, 1984. However, certain provisions of CIOA (including the statute that this bill amends), to the extent necessary to construe these provisions, apply to common interest communities created in Connecticut before January 1, 1984, but only with respect to events and circumstances that occur after that date. Common interest communities created before then can amend their governing instruments to conform to portions of CIOA that do not automatically apply (CGS §§ 47-214, -216, -218).

COMMITTEE ACTION

Judiciary Committee

Joint Favorable

Yea 41 Nay 1 (04/02/2012)